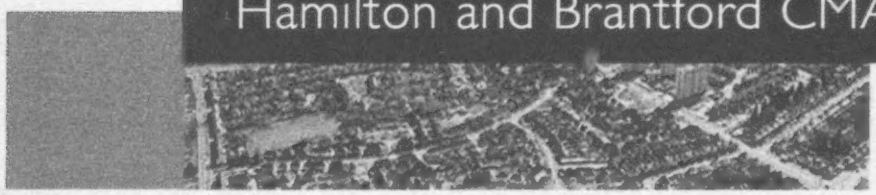
HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

Hamilton and Brantford CMAs



Canada Mortgage and Housing Corporation

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New Home Market

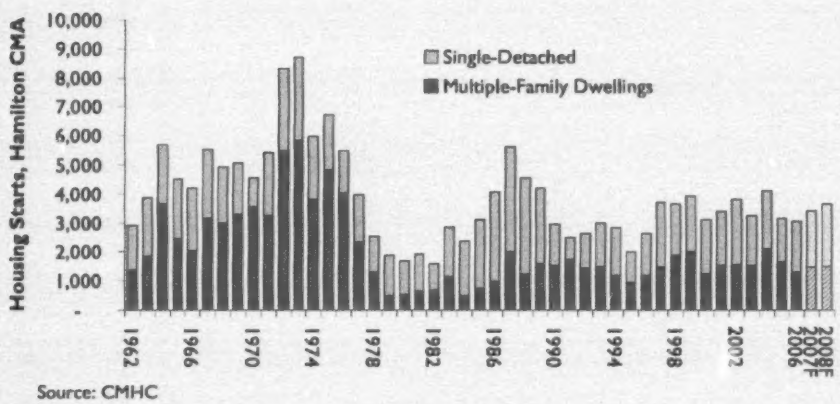
Starts to Rise

Hamilton's total housing starts will increase by seven per cent to 3,650 units in 2008 from an expected level of 3,400 starts in 2007. Housing starts in Brantford will follow a similar trend where total housing starts will rise by four per cent to 450 units in 2008 from 2007. Low mortgage rates and steady employment will ensure strong housing construction activity in 2008.

The growing segment of wealthy and ageing baby boomers will drive up demand for single-detached homes in both Hamilton and Brantford. Nearly sixty per cent of housing starts in Brantford and Hamilton are single-detached homes. Single-detached homes starts in Hamilton will increase

Figure 1

Hamilton's Housing Starts to Rise



Source: CMHC

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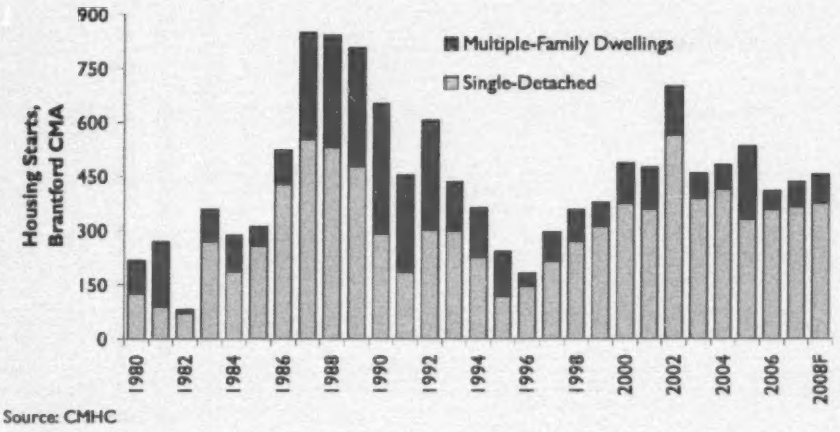
Figure 2

Brantford's Housing Starts Will Edge Up



Source: CMHC

to 2,150 in 2008 – 10 per cent above the levels expected for 2007.

Despite construction in Hamilton being skewed towards single-detached homes, there is also a growing segment of homebuyers (typically the older wealthy baby boomers) looking to downsize and move into condominium apartments. Though smaller in size, these apartments are often upgraded with luxury fittings and targeted to affluent homebuyers. Expect Hamilton's total private apartment starts to increase to 400 units in 2008 from 360 units built a year earlier. Total multiple-family dwellings (which include semi-detached homes, row houses and apartments) in Hamilton are expected to remain virtually unchanged at 1,450 units in 2008 – possibly edging up one per cent from the expected level in 2007. The 2006 Census reported an increase in Hamilton's single-parent family households. This will increase the demand for semi-detached and town homes. Brantford will continue to attract homebuyers from Hamilton and surrounding areas such Cambridge and Waterloo, due to its lower new home prices. Expect desirable markets, such as Paris, to attract more homebuyers in the future.

The heated growth in new home prices will slow in Hamilton next year. Its resale homes are often available for sale at a lower price than new homes. A greater number of new listings in Hamilton's resale home market, therefore, have meant an increase in the selection of homes at a lower price point. In order to stay competitive, builders have responded by building smaller single-detached homes at a lower price. The average new single-detached home price in Hamilton has trended down in 2007 as a result. Land constraints and rising labour costs will drive up housing prices next year and the average new single-detached home price will edge up by five per cent to $400,000 in 2008. The growth in the New Home Price Index (NHPI), which measures changes in prices of new homes of constant quality, will remain virtually unchanged at 5.4 per cent in 2008 compared to 5.5 per cent in the previous year.

Resale Market

Record Sales

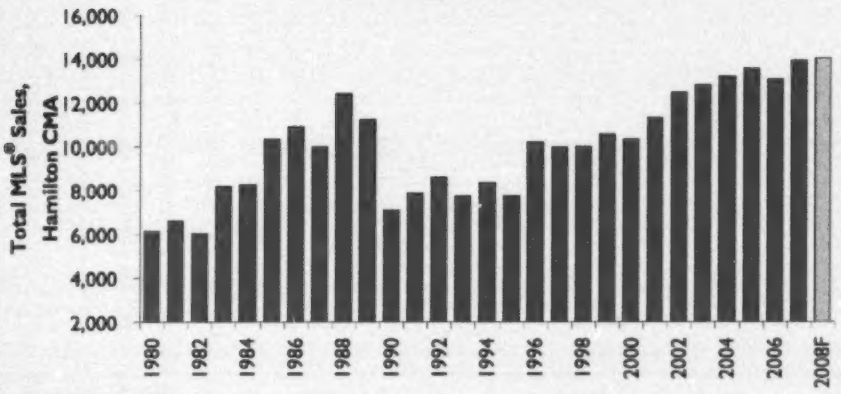
Favourable borrowing options, coupled with lower prices compared to new housing, will increase existing home sales in Hamilton to an all-time record in 2008. Existing home sales will reach 14,050 in 2008– up by one per cent from the previous year. Resale home sales will increase in the growing suburban neighbourhoods of Glanbrook, Flamborough and Stoney Creek. Wealthy baby boomers, who are largely driving the Hamilton housing market, prefer single-detached homes. These homes are more readily available in suburban Hamilton neighbourhoods.

Buyers looking for less expensive resale homes in Southern Ontario will find Brantford to be an ideal residential locality. It strategic location, both in terms of proximity to Hamilton and Toronto on one side, and the US border on the other side, will attract people to the city. Existing home sales are expected to reach 2,570 in 2008 – an increase of seven per cent from the previous year.

As house prices have risen steadily over the last several years, the supply of new listings has increased concurrently. Hamilton and Brantford resale home markets, which have been characterized by low listings supply for the past decade, have seen listings increase on average by 3-4 per cent annually during the past four years. This trend will continue to typify the markets and expect Hamilton's and

Figure 3

Hamilton's Resale Home Sales Will Reach All-Time Record



Source: CREA, CMHC forecasts

Brantford's supply of new listings to grow by five per cent to 20,250 units and six per cent to 3,670 units respectively in 2008.

Rising new listings supply, however, is not expected to push down price growth. The strong increase in home sales in both Hamilton and Brantford is expected to result in tight resale market conditions. Often the sales-to-new listings ratio (SNLR) is used as a measure of market tightness and a measure of future price growth. The SNLR will be above 70 per cent in both housing markets in 2008, implying market conditions will strongly favour sellers. Average price growth will exceed the prevailing rate of inflation and homes are likely to be sold within four weeks of being listed.

Tight resale market conditions will mean strong resale home price growth in Hamilton and Brantford. The average resale home price is expected to reach $300,000 and $233,000 respectively in 2008. In certain expensive submarkets such as Ancaster and Flamborough, the average resale home prices are likely to be above the Hamilton average. Less popular markets within Hamilton City, such as East and Central Hamilton, will have significantly lower than average resale home prices in 2008.

Economic Overview

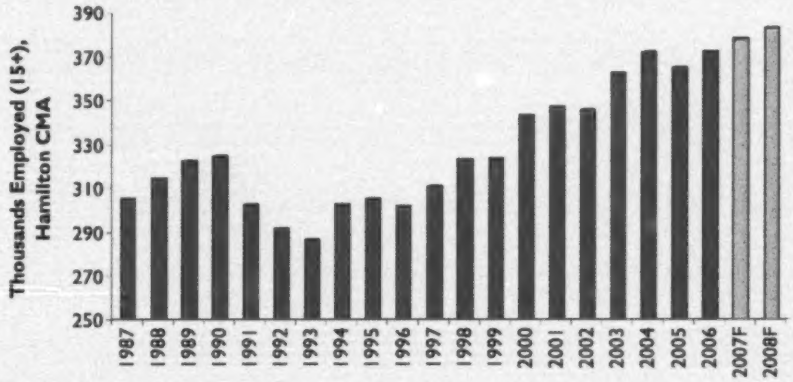
Employment Steady

The rising Canadian dollar and increased competition from countries like India and China have been detrimental to the Hamilton manufacturing sector. Restructuring of the US automotive industry have created difficulties for steel producers such as Stelco. Hamilton's manufacturing jobs fell by nearly 17 per cent in 2006 and in Brantford by one per cent. With the Canadian dollar expected to remain strong against the US dollar throughout 2008, this sector is unlikely to see an improvement in the immediate future. Total employment, therefore, will only edge up by 1.3 per cent in Hamilton and 1.4 per cent in Brantford next year.

Total employment will continue to grow thanks to the services sector which has generated impressive growth in recent years. Hamilton's health, education and retail sectors have generated jobs and will continue to do so in 2008. Respectable job creation in Brantford's service sector will bring its total unemployment rate down to 5.4 per cent in 2008 from 5.5 per cent in the previous year. Brantford's close proximity to major

Figure 4

Services Sector Keeps Employment Levels High



Source: Statistics Canada, CMHC (forecasts)

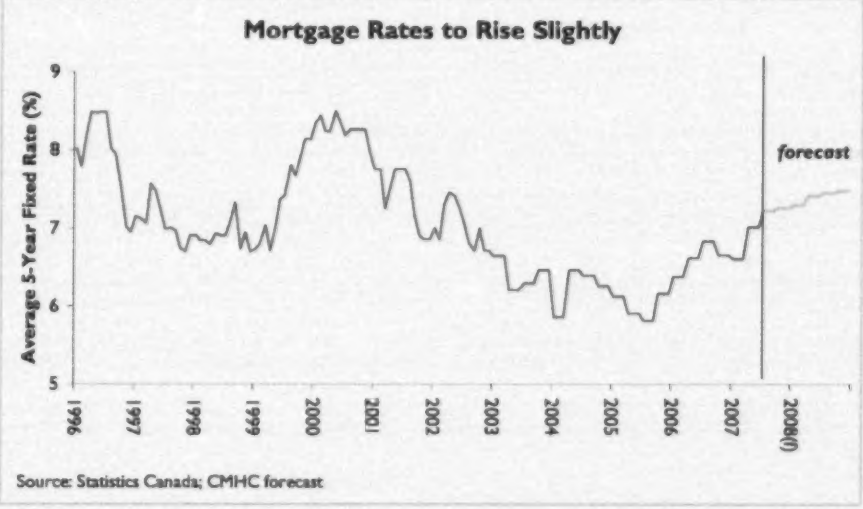
cities in Southern Ontario, linked via the 403, will encourage new businesses to establish in the city.

According to the 2006 Census, the populations of Hamilton and Brantford are ageing. Almost 80 per cent of the total population in both centres is above the age of 15. Migration has been the major contributor to population growth in the presence of declining natural growth. Hamilton has been a major recipient of migrants from Toronto. Recently, these flows have shifted as more Torontonians are headed to Western Canada. Hamilton's net migration has declined as a result. Immigration too has been slowing down as Ontario continues to receive fewer immigrants in the recent past. Net migration will stay low in Hamilton at 1,300 persons in 2008 compared to 2007.

Mortgage Interest Rates

Mortgage rates are expected to remain flat through the end of 2007. While still low by historical norms, mortgage rates are expected to rise gradually by 25-50 basis points in 2008. The one year posted mortgage rate is forecast to be in the 6.50-7.50 per cent range, while three and five year posted mortgage rates are forecast to be in the 6.75-7.75 per cent range in 2008.

Figure 5



Source: Statistics Canada; CMHC forecast

Forecast SUMMARY
Hamilton CMA
Fall 2007

	2004	2005	2006	2007f	% chg	2008f	% chg
Resale Market							
MLS® Sales	13,176	13,565	13,059	13,900	6.4	14,040	1.0
MLS® New Listings	17,223	17,646	18,414	19,245	4.5	20,245	5.2
MLS® Average Price ($)	215,922	229,753	248,754	272,000	9.3	300,000	10.3
New Home Market							
Starts:							
Single-Detached	1,995	1,502	1,741	1,950	12.0	2,150	10.3
Multiples	2,098	1,643	1,302	1,460	12.1	1,480	1.4
Semi-Detached	158	204	138	140	1.4	120	-14.3
Row/Townhouse	1,196	1,002	948	960	1.3	960	0.0
Apartments	744	437	216	360	66.7	400	11.1
Starts - Total	4,093	3,145	3,043	3,410	12.1	3,630	6.5
Average Price ($):							
Single-Detached	316,705	369,808	392,305	380,000	-3.1	400,000	5.3
Median Price ($):							
Single-Detached	294,000	327,495	335,000	n/a	n/a	n/a	n/a
New Housing Price Index (% chg.)	5.4	5.7	5.5	5.5	-	5.4	-
Rental Market							
October Vacancy Rate (%)	3.4	4.3	4.3	4.1	n/a	3.9	n/a
Two-bedroom Average Rent (October) ($)	789	791	796	805	1.1	820	1.9
Economic Overview							
Mortgage Rate (1 year) (%)	4.80	5.80	6.30	6.86	0.56	7.19	0.33
Mortgage Rate (5 year) (%)	6.05	6.30	6.45	7.02	0.57	7.41	0.39
Annual Employment Level	371,800	365,200	371,900	378,000	1.6	383,000	1.3
Employment Growth (%)	2.5	-1.8	1.8	1.6	-	1.3	-
Unemployment rate (%)	6.3	5.5	5.9	5.7	-	5.4	-
Net Migration	3,403	1,453	1,249	1,300	-	1,300	-

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

Forecast SUMMARY
Brantford CMA
Fall 2007

	2004	2005	2006	2007f	% chg	2008f	% chg
Resale Market							
MLS® Sales	2,281	2,204	2,139	2,400	12.2	2,570	7.1
MLS® New Listings	2,965	3,072	3,287	3,450	5.0	3,670	6.4
MLS® Average Price ($)	166,885	182,470	198,716	217,000	9.2	233,000	7.4
New Home Market							
Starts:							
Single-Detached	414	331	357	365	2.2	375	2.7
Multiples	68	203	52	70	34.6	78	11.4
Semi-Detached	6	4	2	8 **		10	25.0
Row/Townhouse	62	139	47	57	21.3	60	5.3
Apartments	0	60	3	5	66.7	8	60.0
Starts - Total	482	534	409	435	6.4	453	4.1
Average Price ($):							
Single-Detached	157,319	174,035	190,810	210,000	10.1	227,000	8.1
Semi-Detached	--	--	--	--	n/a	--	n/a
Median Price ($):							
Single-Detached	145,000	165,000	182,000	--	n/a	--	n/a
Semi-Detached	--	--	--	--	n/a	--	n/a
New Housing Price Index (% chg.) (Ont.)	5.6	4.6	3.7	n/a	-	n/a	-
Rental Market							
October Vacancy Rate (%)	1.7	1.8	2.3	2.0	-0.3	1.8	-0.2
Two-bedroom Average Rent (October) ($)	684	722	712	725	1.8	740	2.1
Economic Overview							
Mortgage Rate (1 year) (%)	4.80	5.80	6.30	6.86	0.56	7.19	0.33
Mortgage Rate (5 year) (%)	6.05	6.30	6.45	7.02	0.57	7.41	0.39
Annual Employment Level	46,900	49,450	50,550	52,000	2.9	53,000	1.9
Employment Growth (%)	-3.4	5.4	2.2	1.6	-	1.4	-
Unemployment rate (%)	7.1	6.7	6.3	5.5	-	5.4	-
Net Migration (Ont.)	101,730	98,768	68,759	57,932	-15.7	64,500	11.3

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Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

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